

**REPORT OF THE AUDIT OF THE  
OLDHAM COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2003**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE OLDHAM COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2003**

The Auditor of Public Accounts has completed the Oldham County Fiscal Court audit for fiscal year ended June 30, 2003. We have issued a qualified opinion on the financial statements taken as a whole. Based upon the audit work performed, except for the effects of a component unit on a different basis of accounting from the primary government, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Fund balances decreased by \$2,872,851 from the beginning of the year, resulting in a cash surplus of \$7,988,785 as of June 30, 2003.

#### **Debt Obligations:**

Total bonded debt principal as of June 30, 2003, was \$7,290,000. Future collections of \$10,335,608 are needed over the next 19 years to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$4,722,000 as of June 30, 2003. Future principal and interest payments of \$8,672,347 are needed to meet these obligations.

#### **Report Comment:**

- Grants To Encourage Arrest Policies And Enforcement Of Protection Orders Program Receipt And Expenditures Were Not Budgeted

#### **Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities or bonds.



## CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT .....	1
OLDHAM COUNTY OFFICIALS .....	3
STATEMENT OF ASSETS, LIABILITIES, AND EQUITY ARISING FROM CASH TRANSACTIONS .....	6
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES – GOVERNMENTAL FUND TYPE .....	12
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES – PROPRIETARY FUND TYPE .....	17
STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPE .....	21
NOTES TO FINANCIAL STATEMENTS .....	22
SUPPORTING SCHEDULES:	
COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE .....	33
SCHEDULE OF OPERATING REVENUE .....	37
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES .....	41
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	45
COMMENT AND RECOMMENDATION .....	49
APPENDIX A:	
CERTIFICATION OF COMPLIANCE – LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Mary Ellen Kinser, Oldham County Judge/Executive

Members of the Oldham County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Oldham County Kentucky as of June 30, 2003, the statement of cash receipts, cash disbursements, and changes in cash balances - governmental fund type; the statement of cash receipts, cash disbursements, and changes in cash balances - proprietary fund type; and the related statement of cash flows - proprietary fund type for the year then ended. These financial statements are the responsibility of the Oldham County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Oldham County Sewer District. Those financial statements were audited by other auditors whose report was furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the Oldham County Sewer District is based on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Oldham County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Oldham County Sewer District prepares its financial statements according to generally accepted accounting principles, which is a presentation inconsistent with that of the primary government.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Mary Ellen Kinser, Oldham County Judge/Executive  
Members of the Oldham County Fiscal Court

In our opinion, except for the effects of any adjustments not made to the books and records of the Oldham County Sewer District to provide consistent presentation as discussed in the preceding paragraph, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances as of June 30, 2003, of Oldham County, Kentucky, and the revenues received and expenditures paid and the cash flows of its enterprise fund for the year then ended, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated January 16, 2004, on our consideration of Oldham County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Oldham County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- Grants To Encourage Arrest Policies And Enforcement Of Protection Orders Program Receipt And Expenditures Were Not Budgeted

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
January 16, 2004

OLDHAM COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2003

**Fiscal Court Members:**

Mary Ellen Kinser	County Judge/Executive
Robert Deibel	Magistrate
Paula Gish	Magistrate
Robert Leslie	Magistrate
Rick Rash	Magistrate
Bill Tucker	Magistrate
Beverly McCombs	Magistrate
Steve Greenwell	Magistrate
Duane Murner	Magistrate

**Other Elected Officials:**

John Fendley	County Attorney
Mike Simpson	Jailer
Ann B. Brown	County Clerk
Linda Mason	Circuit Court Clerk
Steve Sparrow	Sheriff
Ron Winters	Property Valuation Administrator
Brett Donner	Coroner

**Appointed Personnel:**

Elaine Collett	County Treasurer
Chris Hovan	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

OLDHAM COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2003

				Totals (Memorandum Only)
	Governmental Fund Types		Proprietary Fund Type	Primary Government
	General	Debt Service	Jail Canteen Enterprise	
<u>Assets and Other Resources</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 7,824,298	\$ 156,147	\$ 11,236	\$ 7,991,681
Accounts Receivable				
Construction in Progress				
Net Capital Assets				
Total Assets	<u>\$ 7,824,298</u>	<u>\$ 156,147</u>	<u>\$ 11,236</u>	<u>\$ 7,991,681</u>
<u>Other Resources</u>				
Amounts to Be Provided				
In Future Years for:				
Capital Lease (Note 4)	\$ 4,722,000	\$	\$	\$ 4,722,000
Bond Payments (Note 5)	<u>3,060,000</u>	<u>4,230,000</u>		<u>7,290,000</u>
Total Other Resources	<u>\$ 7,782,000</u>	<u>\$ 4,230,000</u>	<u>\$ 0</u>	<u>\$ 12,012,000</u>
Total Assets and Other Resources	<u><u>\$ 15,606,298</u></u>	<u><u>\$ 4,386,147</u></u>	<u><u>\$ 11,236</u></u>	<u><u>\$ 20,003,681</u></u>

The accompanying notes are an integral part of the financial statements.

OLDHAM COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND EQUITY  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 2003  
 (Continued)

Component Unit	Totals (Memorandum Only)	
	Reporting Entity	
\$ 1,590,103	\$	9,581,784
195,117		195,117
82,349		82,349
<u>5,049,834</u>	<u></u>	<u>5,049,834</u>
 \$ 6,917,403	 \$	 14,909,084
 \$	 \$	 4,722,000
<u></u>	<u></u>	<u>7,290,000</u>
 \$ 0	 \$	 12,012,000
<u></u>	<u></u>	<u></u>
<u>\$ 6,917,403</u>	<u>\$</u>	<u>26,921,084</u>

The accompanying notes are an integral part of the financial statements.

OLDHAM COUNTY  
STATEMENT OF ASSETS, LIABILITIES, AND EQUITY  
ARISING FROM CASH TRANSACTIONS  
June 30, 2003  
(Continued)

	Governmental Fund Types		Proprietary Fund Type	Totals (Memorandum Only) Primary Government
	General	Special Revenue	Jail Canteen Enterprise	
<u>Liabilities and Equity</u>				
<u>Liabilities</u>				
Accounts Payable	\$	\$	\$	\$
Accrued Interest Payable				
Payroll Tax Payable				
Long Term Debt Due in One Year				
Long Term Debt				
Capital Lease (Note 4)	4,722,000			4,722,000
Bonds: (Note 5)				
Series 1994		1,805,000		1,805,000
Series 1997		2,425,000		2,425,000
Series 2002	3,060,000			3,060,000
Payroll Revolving Account	2,893			2,893
Retirement Account	3			3
Total Liabilities	<u>\$ 7,784,896</u>	<u>\$ 4,230,000</u>	<u>\$ 0</u>	<u>\$ 12,014,896</u>
<u>Equity</u>				
Fund Balances:				
Reserved	\$ 28,190	\$ 156,147	\$ 11,236	\$ 195,573
Unreserved	7,793,212			7,793,212
Total Equity	<u>\$ 7,821,402</u>	<u>\$ 156,147</u>	<u>\$ 11,236</u>	<u>\$ 7,988,785</u>
Total Liabilities and Equity	<u>\$ 15,606,298</u>	<u>\$ 4,386,147</u>	<u>\$ 11,236</u>	<u>\$ 20,003,681</u>

The accompanying notes are an integral part of the financial statements.

OLDHAM COUNTY  
STATEMENT OF ASSETS, LIABILITIES, AND EQUITY  
ARISING FROM CASH TRANSACTIONS  
June 30, 2003  
(Continued)

Component Unit	Totals (Memorandum Only)	
	Reporting Entity	
\$ 207,240	\$	207,240
18,153		18,153
4,331		4,331
75,000		75,000
3,810,000		3,810,000
		4,722,000
		1,805,000
		2,425,000
		3,060,000
		2,893
		3
<u>\$ 4,114,724</u>	<u>\$</u>	<u>16,129,620</u>
\$ 2,802,679	\$	195,573
<u>2,802,679</u>	<u></u>	<u>10,595,891</u>
\$ 2,802,679	\$	10,791,464
<u>\$ 6,917,403</u>	<u>\$</u>	<u>26,921,084</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES – GOVERNMENTAL FUND TYPE

OLDHAM COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES – GOVERNMENTAL FUND TYPE

For The Fiscal Year Ended June 30, 2003

	General Fund Type			
	General Fund	Road and Bridge Fund	Jail Fund	Local Government Economic Assistance Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 7,820,568	\$ 1,843,132	\$ 933,876	\$ 310,303
Other Financing Sources:				
Transfers In	70,000		417,000	70,000
Total Cash Receipts	<u>\$ 7,890,568</u>	<u>\$ 1,843,132</u>	<u>\$ 1,350,876</u>	<u>\$ 380,303</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 6,929,259	\$ 1,742,170	\$ 1,336,645	\$ 341,324
Other Financing Uses:				
Transfers Out	979,955			70,000
Construction - Fiscal Court Addition	2,426,655			
Sewer Construction/Acquisition	323,021			
Bonds:				
Principal Paid	110,000			
Interest Paid				
KACO Leasing Trust-Principal	73,000			
Total Cash Disbursements	<u>\$ 10,841,890</u>	<u>\$ 1,742,170</u>	<u>\$ 1,336,645</u>	<u>\$ 411,324</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (2,951,322)	\$ 100,962	\$ 14,231	\$ (31,021)
Cash Balance - July 1, 2002	8,196,373	2,410,974	2,084	50,931
Cash Balance - June 30, 2003	<u>\$ 5,245,051</u>	<u>\$ 2,511,936</u>	<u>\$ 16,315</u>	<u>\$ 19,910</u>

The accompanying notes are an integral part of the financial statements.

OLDHAM COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
 AND CHANGES IN CASH BALANCES – GOVERNMENTAL FUND TYPE  
 For The Fiscal Year Ended June 30, 2003  
 (Continued)

General Fund Type		Special Revenue Fund Type	Debt Service Fund Type	Component Unit		
Central Dispatch Fund	Local Emergency Planning Committee Fund	Sheriff's Federal Grant Fund	Public Facilities Construction Corporation Fund	Totals (Memorandum Only) Primary Government	Oldham County Sewer District	Totals (Memorandum Only) Reporting Entity
\$ 520,844	\$ 131	\$ 120,000	\$ 217,269	\$ 11,766,123	\$ 1,122,444	\$ 12,888,567
245,000			247,955	1,049,955		1,049,955
<u>\$ 765,844</u>	<u>\$ 131</u>	<u>\$ 120,000</u>	<u>\$ 465,224</u>	<u>\$ 12,816,078</u>	<u>\$ 1,122,444</u>	<u>\$ 13,938,522</u>
\$ 761,813	\$ 1,213	\$ 120,000	\$	\$ 11,232,424	\$ 1,405,844	\$ 12,638,268
				1,049,955		1,049,955
				2,426,655		2,426,655
				323,021		323,021
				230,000		340,000
				234,225		234,225
				73,000		73,000
<u>\$ 761,813</u>	<u>\$ 1,213</u>	<u>\$ 120,000</u>	<u>\$ 464,225</u>	<u>\$ 15,679,280</u>	<u>\$ 1,405,844</u>	<u>\$ 17,085,124</u>
\$ 4,031	\$ (1,082)	\$	\$ 999	\$ (2,863,202)	\$ (283,400)	\$ (3,146,602)
16,997	8,244		155,148	10,840,751	3,086,079	13,926,830
<u>\$ 21,028</u>	<u>\$ 7,162</u>	<u>\$ 0</u>	<u>\$ 156,147</u>	<u>\$ 7,977,549</u>	<u>\$ 2,802,679</u>	<u>\$ 10,780,228</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES – PROPRIETARY FUND TYPE



OLDHAM COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES – PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2003

	<u>Enterprise Fund Type</u>
<u>Cash Receipts</u>	<u>Jail Canteen Fund</u>
Receipts - Jail Canteen	\$ 62,202
Total Cash Receipts	\$ 62,202
 <u>Cash Disbursements</u>	
Expenditures - Jail Canteen	\$ 71,851
Total Cash Disbursements	\$ 71,851
Deficiency of Cash Receipts Under Cash Disbursements	\$ (9,649)
Cash Balance - July 1, 2002	20,885
Cash Balance - June 30, 2003	\$ 11,236

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPE



OLDHAM COUNTY  
STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2003

	<u>Enterprise Fund Type</u>
	<u>Jail Canteen Fund</u>
Cash Flows From Operating Activities:	
Operating Loss	<u>\$          (9,649)</u>
Net Cash Used By Operating Activities	<u>\$          (9,649)</u>
Net Decrease in Cash and Cash Equivalents	\$          (9,649)
Cash and Cash Equivalents - July 1, 2002	<u>20,885</u>
Cash and Cash Equivalents - June 30, 2003	<u><u>\$          11,236</u></u>

OLDHAM COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2003

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Oldham County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Oldham County Public Facilities Construction Corporation as part of the reporting entity. Also included, as a discretely presented component unit is the Oldham County Sewer District, which was audited by other auditors.

1) Oldham County Public Facilities Construction Corporation

The Public Facilities Construction Corporation (PFCC) was created for the financing and renovation of the Oldham County Courthouse and financing and construction of a recreation center. Fiscal Court has the authority to appoint a voting majority of the PFCC's board of directors and PFCC was deemed a component unit of the County. Financial information for the Public Facilities Construction Corporation is blended within Oldham County's financial statements.

2) Oldham County Sewer District (Formerly Known as Oldham County Sanitation District)

The Oldham County Sewer District (the District) was created and exists pursuant to the provisions of Kentucky Revised Statutes 67.083(3)(c)(h) and (r) and 67.715(2), and by the Fiscal Court. The District was created with the mission to provide a coordinated design and operational solution for wastewater service in Oldham County. The Fiscal Court appoints a majority of the District's board and the District was deemed a component unit of Oldham County Fiscal Court. The Oldham County Sewer District is included as a discretely presented component unit on Oldham County's financial statements and was audited by other auditors.

Additional - Oldham County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Oldham County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

OLDHAM COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Oldham County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Oldham County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, Central Dispatch Fund, and the Local Emergency Planning Committee Fund.

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Oldham County Special Revenue Fund Type includes the following county fund: Sheriff's Federal Grant Fund.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Public Facilities Construction Corporation Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

4) Enterprise Fund Type

The Enterprise Fund Type is used to report an activity for which a fee is charged to external users for goods or services. The Oldham County Enterprise Fund Type includes the Jail Canteen Fund, which is maintained by the county jailer.

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations. All profit expenditures were for the benefit and/or recreation of the inmates.

OLDHAM COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets are not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

D. Legal Compliance - Budget

The Oldham County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Public Facilities Construction Corporation Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

OLDHAM COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Oldham County Fiscal Court: Oldham County Ambulance Service and the Oldham County Public Library.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits and Investments

A. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2003, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

OLDHAM COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 3. Deposits and Investments (Continued)

B. Investments

The county's investments are categorized below to give an indication of the level of risk assumed by the county at year-end. Category 1 includes investments that are insured or registered or the securities are held by the county or by the county's agent in the county's name. Category 2 includes uninsured and unregistered investments where the securities are held by the financial institution in the county's name. Category 3 includes uninsured and unregistered investments where the securities were held by the financial institution, but not in the county's name.

Types of Investments	Category			Carrying Amount	Market Value
	1	2	3		
Federal Money					
Market Funds	\$ 1,768,988	\$	\$	\$ 1,768,988	\$ 1,768,988

Note 4. Capital Lease Agreements

A. Fiscal Court Building

On June 8, 1992, the fiscal court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$1,381,000 at 5.49 percent for work on the Oldham County Fiscal Court Building. The lease was refinanced on May 7, 2001. The lease term for this agreement is 11 years at an interest rate of 4.2% with the balance to be paid in full January 20, 2012. The principal balance on the lease was \$802,000 as of June 30, 2003. Principal payment requirements and scheduled interest for the remaining term of the agreement are as follows:

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2004	\$ 37,604	\$ 76,000
2005	33,832	79,000
2006	29,915	82,000
2007	25,851	85,000
2008	21,621	89,000
2009-2012	40,667	391,000
Totals	\$ 189,490	\$ 802,000

OLDHAM COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 4. Capital Lease Agreements (Continued)

B. Sewer District

On June 14, 2001, the fiscal court on behalf of the Oldham County Sewer District entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$4,000,000 at an interest rate of 4.94% for acquisition of various local wastewater treatment facilities, renovation thereto, and the professional and administrative fees incurred in this acquisition. The lease term is for 30 years with the balance to be paid in full on January 20, 2031. The Oldham County Sewer District makes the principal and interest payments to National City Bank (the trustee). The principal balance on the lease was \$3,875,000 as of June 30, 2003. Principal payment requirements and scheduled interest for the remaining term of the agreement are as follows:

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2004	\$ 216,310	\$ 65,000
2005	212,539	70,000
2006	208,486	75,000
2007	204,270	75,000
2008	199,937	80,000
2009-2013	927,005	455,000
2014-2018	782,182	590,000
2019-2023	592,433	765,000
2024-2028	350,990	975,000
2029-2031	65,935	725,000
Totals	<u>\$ 3,760,087</u>	<u>\$ 3,875,000</u>

C. Sheriff's Vehicles

On June 20, 2001, the fiscal court on behalf of the Oldham County Sheriff entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$130,000 at an interest rate of 3.25% for the acquisition of 6 new police vehicles. The lease term is for 3 years with balance to be paid in full on January 20, 2004. The Oldham County Sheriff makes the principal and interest payments to National City Bank (the trustee). The principal balance on the lease was \$45,000 as of June 30, 2003. Principal payment requirements and scheduled interest for the remaining term of the agreement are as follows:

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2003	<u>\$ 770</u>	<u>\$ 45,000</u>

OLDHAM COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 5. Long-Term Debt

A. Courthouse

Oldham County Public Facilities Construction Corporation issued first mortgage revenue bonds, series 1994, dated August 1, 1994, to fund renovation of the Oldham County Courthouse. These bonds were issued at 5.50%, 5.70%, and 5.75%, and will be retired by August 1, 2014. Interest payments are due on February 1, interest and principal August 1. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 99,858	\$ 115,000
2005	93,160	120,000
2006	86,035	130,000
2007	78,483	135,000
2008	70,502	145,000
2009-2013	216,378	850,000
2014-2015	14,949	310,000
Totals	<u>\$ 659,365</u>	<u>\$ 1,805,000</u>

B. Recreation Center

Oldham County Public Facilities Construction Corporation issued first mortgage revenue bonds, series 1997, dated June 1, 1997, to fund the acquisition, construction, and equipping of a recreation center and related facilities. These bonds were issued at varying interest rates ranging from 3.90% to 5.25%, and will be retired by June 1, 2017. Interest payments are due on December 1 and interest and principal June 1. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 122,615	\$ 125,000
2005	116,990	130,000
2006	111,010	135,000
2007	104,665	145,000
2008	97,705	150,000
2009-2013	367,978	870,000
2014-2017	117,337	870,000
Totals	<u>\$ 1,038,300</u>	<u>\$ 2,425,000</u>

Total bonds outstanding of the Oldham County Public Facilities Construction Corporation were \$4,230,000.

OLDHAM COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 5. Long-Term Debt (Continued)

C. Fiscal Court Building

Oldham County Fiscal Court issued general obligation bonds of 3,170,000, series 2002, dated June 20, 2002, to finance a portion of the costs of acquiring, constructing and equipping additions to the county courthouse annex (the fiscal court building). These bonds were issued at varying interest rates ranging from 2.25% to 4.7%, and will be retired by June 1, 2022. Interest payments are due on December 1 and interest and principal June 1. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 124,791	\$ 115,000
2005	122,204	120,000
2006	119,504	120,000
2007	115,904	125,000
2008	111,841	130,000
2009-2013	484,093	715,000
2014-2018	322,713	875,000
2019-2022	<u>103,040</u>	<u>860,000</u>
Totals	<u>\$ 1,504,090</u>	<u>\$ 3,060,000</u>

Note 6. Oldham County Police Account

The Oldham County Police have an account, which receives donations, and for part of the year, the account also received forfeitures. This money is used to purchase equipment and other law enforcement items. The forfeiture account had receipts of \$18,984, expenditures of \$32,888, (including a transfer to a new forfeiture account of \$8,754) and an ending balance of \$1,829 as of June 30, 2003.

Note 7. Oldham County Police Seized Funds Account

The Oldham County Police have a seized funds account, in which funds seized from suspects are deposited. The funds are either returned to suspects or the money is forfeited per court order. The account had receipts of \$69,538, expenditures of \$65,183, and an ending balance of \$13,875 as of June 30, 2003.

Note 8. Drug Forfeiture Account

The Oldham County Fiscal Court has an account, which is used for receiving forfeited drug money. This money is used to purchase law enforcement equipment and to make drug buys. This account had receipts of \$33,859 (including transfer of \$8,754 from Oldham County Police Account), no expenditures, and an ending balance of \$33,859 (\$3,827 in bank account and certificate of deposit of \$30,032).

OLDHAM COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 9. Bond Escrow Accounts

The Oldham County Planning and Zoning Commission holds bonds in escrow until a contractor finishes a project. The fiscal court is entitled to the interest earned on the bonds. The bonds are held in certificates of deposit and in a money market account. The amount of bonds (including interest) held at June 30, 2003 was \$165,114.

Note 10. Insurance

For the fiscal year ended June 30, 2003, Oldham County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



OLDHAM COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 6,027,473	\$ 7,820,568	\$ 1,793,095
Road and Bridge Fund	1,600,849	1,843,132	242,283
Jail Fund	1,340,704	933,876	(406,828)
Local Government Economic Assistance Fund	1,398,294	310,303	(1,087,991)
Central Dispatch Fund	807,171	520,844	(286,327)
Local Emergency Planning Committee Fund	200	131	(69)
<u>Special Revenue Fund Type</u>			
Sheriff's Federal Grant Fund		120,000	120,000
Totals	<u>\$ 11,174,691</u>	<u>\$ 11,548,854</u>	<u>\$ 374,163</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 11,174,691
Add: Budgeted Prior Year Surplus			1,950,659
Less: Other Financing Uses			<u>(430,955)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 12,694,395</u>

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SCHEDULE OF OPERATING REVENUE



OLDHAM COUNTY  
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

Revenue Categories	GOVERNMENTAL FUND TYPES			
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type	Debt Service Fund Type
Taxes	\$ 5,424,742	\$ 5,424,742	\$	\$
In Lieu Tax Payments	1,130,000	1,130,000		
Excess Fees	246,181	246,181		
Licenses and Permits	652,094	652,094		
Intergovernmental Revenues	3,200,959	2,863,959	120,000	217,000
Charges for Services	799,801	799,801		
Miscellaneous Revenues	132,415	132,415		
Interest Earned	179,931	179,662		269
Total Operating Revenue	<u>\$ 11,766,123</u>	<u>\$ 11,428,854</u>	<u>\$ 120,000</u>	<u>\$ 217,269</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES



OLDHAM COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2003

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 2,202,747	\$ 2,181,595	\$ 21,152
Protection to Persons and Property	3,763,906	3,706,393	57,513
General Health and Sanitation	418,119	411,496	6,623
Social Services	22,175	21,050	1,125
Recreation and Culture	833,754	774,752	59,002
Roads	1,923,546	1,578,263	345,283
Road Facilities	25,000	25,000	
Debt Service	168,494	168,494	
Capital Projects	1,796,141	731,872	1,064,269
Administration	1,540,513	1,513,509	27,004
Total Operating Budget - General Fund Type	\$ 12,694,395	\$ 11,112,424	\$ 1,581,971
Other Financing Uses:			
General Obligation Bonds			
Principal	110,000	110,000	
Transfers to Public Property			
Construction Corporation	247,955	247,955	
Capital Lease Agreement-			
Principal on Lease	73,000	73,000	
TOTAL BUDGET - GENERAL FUND TYPE	<u>\$ 13,125,350</u>	<u>\$ 11,543,379</u>	<u>\$ 1,581,971</u>

OLDHAM COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 For The Fiscal Year Ended June 30, 2003  
 (Continued)

<u>Expenditure Categories</u>	<u>SPECIAL REVENUE FUND TYPE</u>		
	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
General Government	<u>\$</u>	<u>\$ 120,000</u>	<u>\$ (120,000)</u>
Total Operating Budget - Special Revenue Fund Type	<u>\$ 0</u>	<u>\$ 120,000</u>	<u>\$ (120,000)</u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Mary Ellen Kinser, Oldham County Judge/Executive  
Members of the Oldham County Fiscal Court

**Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Oldham County, Kentucky, as of and for the year ended June 30, 2003, and have issued our report thereon dated January 16, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Oldham County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- Grants To Encourage Arrest Policies And Enforcement Of Protection Orders Program Receipt And Expenditures Were Not Budgeted

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oldham County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
January 16, 2004

COMMENT AND RECOMMENDATION



OLDHAM COUNTY  
COMMENT AND RECOMMENDATION

For The Fiscal Year Ended June 30, 2003

NONCOMPLIANCES:

Grants To Encourage Arrest Policies And Enforcement Of Protection Orders Program Receipt And Expenditures Were Not Budgeted

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A federal grant to Encourage Arrest Policies and Enforcement of Protection Orders Program was received by the county and passed on to the Oldham County Sheriff. Neither the receipt of the grant or the expenditure (pass through to Sheriff) were budgeted or accounted for on the quarterly report. We recommend the fiscal court budget all receipts and expenditures of such grants and show them on the quarterly report.

*County Judge/Executive Mary Ellen Kinser's Response:*

*This procedure was implemented on the Second Quarter, 2004 report. This grant will be shown as a budget amendment for 2003-2004.*

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CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

OLDHAM COUNTY FISCAL COURT

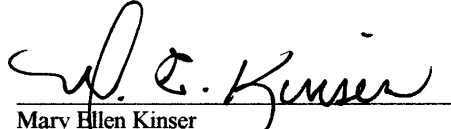
For The Fiscal Year Ended  
June 30, 2003




CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
OLDHAM COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2003

The Oldham County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
Mary Ellen Kinser  
County Judge/Executive

  
\_\_\_\_\_  
Elaine Collett  
Former County Treasurer

